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Subject: Contract RD-77, Task Order "H"

1. This company accepted the subject Task Order to perform modifications and improvements in an identification kit. As of this date we have delivered the two carrying cases required by Items 3 and 4 of the Scope of Work, and are presently making the negatives for the 45 additional foils required by Item 1 of the Scope of Work. In addition we are completing the art work for the handbooks (Item 2 - Scope of Work).

2. A review of our costs indicates that we are unable to complete this program within the estimated costs. The Cost Analysis furnished as enclosure (a) reflects the costs to date and estimate to complete. As set forth on this enclosure, the estimated balance required to complete the program is \$1,264.78.

3. A comparison of the revised estimate and the original estimate (including Supplement No. 1) indicates two areas in which the original costs have been exceeded. Engineering labor is now considerably in excess of the original proposal. However, this increase has been caused by constructive criticism of the design of our carrying case plus the necessity of using an engineer to make the paste-up of the art work for the new handbook. This was found to be a necessity after discussing the problem with the printers and reviewing the art requirements. In addition, the quantity of slides has now reached 54 including four new female hairstyles received in our office the end of last week. The liaison between representatives of your customer and this contractor via the consultant has resulted in several time consuming changes in the program. All of the foregoing have tended to increase our costs and our requirements for increase in estimated costs.

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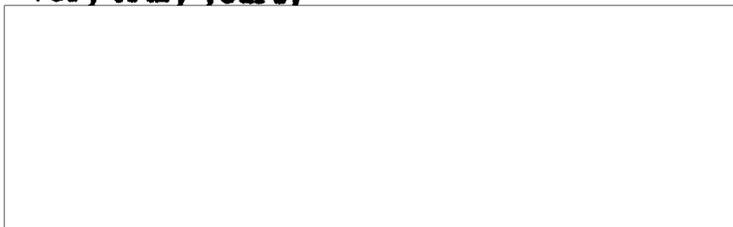
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4. The program can be completed within 30 days following receipt of contract supplement.

5. We trust that the foregoing will meet with your approval and that a contract supplement will be issued.

Very truly yours,

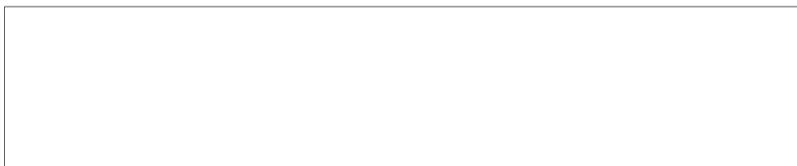


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Ass't Contract Administrator

Encl: (a) Cost Analysis

AIR MAIL - REGISTERED
RETURN RECEIPT REQUESTED



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SECRET**Enclosure (a)
Serial No. 12635**

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COST ANALYSIS

	<u>Costs thru 9/30/59</u>	<u>Estimate to Complete</u>	<u>Estimated Total Costs</u>	<u>Original Estimate (Incl. Supp. #1)</u>
Engr. Labor	662.43	518.00	1,180.43	342.00
Engr. Burden @145%	960.52	751.10	1,711.62	495.90
Mfg. Labor	345.15	35.30	380.45	458.90
Mfg. Burden @110%	379.67	38.83	418.50	552.42
Materials	268.08		268.08	255.10
Artist	167.59	6.00	173.59	157.50
Consultant	104.00	65.00	169.00	156.00
Film Positives		840.00	840.00	675.00
Photo. Expense		316.00	316.00	285.00
Handbook		<u>400.00</u>	<u>400.00</u>	<u>1,435.00</u>
	2,887.44	2,970.23	5,857.67	4,812.82
G&A @ 21%	<u>606.36</u>	<u>623.75</u>	<u>1,230.11</u>	<u>1,010.18</u>
Estimated Cost	\$3,493.80	\$3,593.98	\$7,087.78	\$5,823.00
Less Original Estimate			<u>-5,823.00</u>	
Estimated balance required to complete			\$1,264.78	

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